

Message Text

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64

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 EB-11 FEA-02 SCI-06 CIEP-02 COME-00

INT-08 OMB-01 TRSE-00 AID-20 DRC-01 /150 W

----- 020550

R 131408Z FEB 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6300

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

UNCLAS TEGUCIGALPA 0615

GUATEMALA FOR ROCAP

E.O. 11652: N/A

TAGS: ENRG, EFIN, HO

SUBJ: PETROLEUM COSTS WILL AFFECT DEVELOPMENT PLAN

1. IN FEB. 5 CONFERENCE MINISTER OF ECONOMY BENNATON STATED THAT "INCREASED COSTS OF PETROLEUM WILL BE A HEAVY COST AND WILL LIMIT THE EXECUTION OF THE NATIONAL DEVELOPMENT PLAN." HE STATED THAT HONDURAS HAS TO BE REALISTIC. THE PLAN HAS PRIORITIES, PROJECTS AND PROGRAMS BUT THESE WOULD BE DIFFERENT IF IT WERE NOT NECESSARY TO PAY SO MUCH NOT ONLY FOR PETROLEUM BUT FOR ALL PRODUCTS IN WHICH PETROLEUM IS A SIGNIFICANT FACTOR. "IT IS NECESSARY TO ACCEPT THE IDEA OF HIGHER PRICES AND TO MAKE CALCULATIONS ON HOW WE ARE GOING TO MANAGE HIGHER EXPENDITURES."

2. BENNATON, JUST BACK FROM THE CONFERENCES WITH OTHER CENTRAL AMERICAN OFFICIALS IN VENEZUELA STATED THAT
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"THE SMALL COUNTRIES DO NOT HAVE ANY POWER OF

NEGOTIATION. LAST YEAR WE PUT OFF THE INCREASE IN PRICES WHICH WAS A GREAT SAVING. BUT IN THE ACTUAL CIRCUMSTANCES IT IS VERY DIFFICULT TO MAINTAIN THIS TYPE OF POLICY."

3. BENNATON STATED THAT VENEZUELA HAD PROPOSED A SYSTEM OF FINANCING THROUGH THE CENTRAL BANKS OF CENTRAL AMERICA WITH CREDITS AT LONG TERM, CONSIDERABLE PERIODS OF GRACE AND A NOMINAL INTEREST RATE TO COVER THE IMPORT OF PETROLEUM FOR TWO OR THREE YEARS. "THE IDEA IS THAT IN THIS PERIOD WE WILL FIND MEANS TO ADJUST OURSELVES TO THIS NEW SITUATION." BENNATON STATED THAT "IN THE CASE OF HONDURAS IF THERE IS A FINANCING OF 50 PERCENT OF THE COST OF PETROLEUM THIS COULD MEAN A CREDIT OF \$30 MILLION TO \$35 MILLION PER YEAR."

4. COMMENT: THE BALANCE OF PAYMENTS EFFECT CITED BY THE MINISTER SEEMS QUITE HIGH, BUT THE NECESSITY FOR ADJUSTMENT TO THE INCREASED PRICE IS CLEAR. HOWEVER, THE SAME CAPACITY FOR ADJUSTMENT SEEMS NECESSARY ON MANY RAW MATERIALS AND INTERMEDIATE PRODUCTS APART PETROLEUM IN ANY PRICE PROJECTIONS FOR THE DEVELOPMENT PLAN.
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